

Brazil: The Social Agenda

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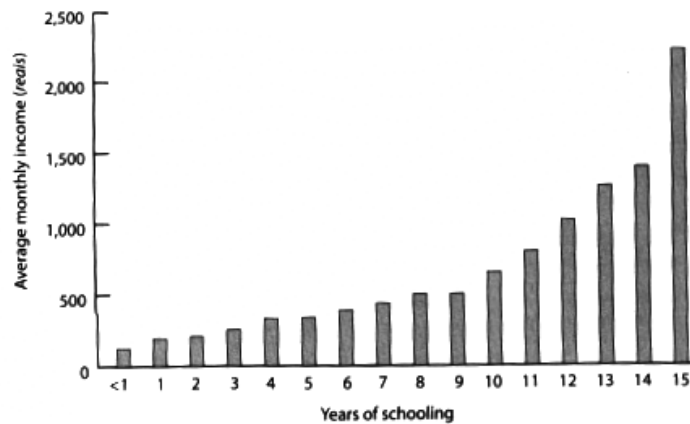
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A bad reputation

When it comes to social issues, Brazil has a terrible reputation. The official statistics are bad enough, and the images conveyed by the international press are arresting children wandering and being killed in the streets or working in sweatshops; urban dwellers crowded in shanty towns, landless peasants clamoring for agrarian reform; Indians decimated by loggers, gold seekers, and ruthless land lords; dozens killed every day in the cities by armed gangs or the police; and high income inequality, dramatized by portraits of elegant apartments in Ipanema facing the favelas in the hills.

None of these images is false, but their meaning and interpretation are not obvious. The press and television portray extremes, giving no sense of the whole. Improperly used, statistics can lead to wrong interpretations, hiding important differences, contrasts, and trends. As an example, the 1995 Brazilian national household survey found about five hundred thousand children between the ages of five and nine years working, most of them without payment. The easy interpretation, which created headlines, was the existence of widespread child slavery, driving the prices of Brazilian products down and effecting the prompt and indignant reaction of well-meaning consumers in civilized countries. The reality was very different: most of these children helped their parents in family-based agricultural activities as part of their normal lives. At age nine, 82 percent of these children were in school, as compared with 93 percent of those who did not work. Lack of study at this early age has less to do with child labor than with general poverty and school scarcity in some rural areas. The number of children working regularly increases with age. By ten, 7 percent of children do some work, and 5 percent are out of school; by sixteen, 36 percent work, and 26 percent are out of school; by eighteen, 50 percent work, and 50 percent are out of school (data from 1997). The inference might be that the reason children do not study is that they have to work. However, the correlation is small: among eighteen-year-olds, 58 percent of those who work are out of school, compared with 40 percent of those who do not work. Child labor, in short, is mostly associated with rural poverty, and, by itself, it is not an important cause of lack of education. Abusive and exploitive child labor exists and has to be curtailed, but this is not the pattern.

Figure 1. Years of Schooling of Heads of Family and Household Income (medians by income deciles).



Source: Brazilian Institute of Geography and Statistics (IBGE), National Household Survey (PNAD), 1998.

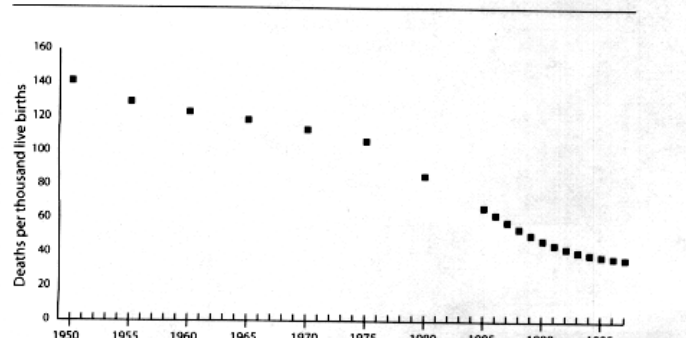
In another example, the high levels of income inequality found in Brazilian statistics are due more to the existence of an extended upper middle class in the urban areas, benefitting from the large wage differentials that exist between the more and the less educated, than to the contrasts between the few very rich and the millions of poor, portrayed sometimes in the mass media (see figure 1). What is striking is not the income of the richest group (a monthly median of a little above 3,000 reais, or U.S. \$3,000 in 1997), but the large difference between the top and the bottom, and especially the way income level multiplies as education, measured by years of schooling, grows. The conventional vision is that poverty could be reduced by taking money from the rich and giving it to the poor. The data, however, show that the rich are not so many, and that the best policy for poverty reduction is to invest in education, to provide more skills to the population and reduce the premium on higher levels of education.¹

Brazil's bad reputation led to the idea that the country's social conditions are worsening, for reasons that vary, for different commentators, from the adoption of neoliberal and market-oriented policies by the Brazilian government to the lack of a true commitment to the values of rationalization, privatization, and international competitiveness. In reality, while some conditions have worsened in recent years, especially those related to the quality of life in large metropolitan areas, most of the basic social indicators, such as education, life expectancy, housing conditions, and sanitation, have shown steady increase and improvement. Modernization and social change

¹ This is true not only for Brazil, but for Latin America as a whole. "The evidence does not support the notion that high inequality in Latin America is simply a matter of a few rich families owning a disproportionate share of each country... Much of the region's inequality is associated with large wage differentials... Large wage differentials reflect, among other factors, unequal distribution of the quantity and quality of schooling." Inter-American Development Bank, *Facing up to Inequality in Latin America: Economic and Social Progress in Latin America*, 1998-1999 report (Washington, D.C.: Inter-American Development Bank, 1998, 1).

are long-term trends that move forward despite short-term variations in economic trends and policies. For instance, the number of households with access to tap water in Brazil went from 52 to 85 percent between 1970 and 1991; access to standard household appliances such as refrigerators, color televisions, freezers, and telephones is increasing steadily as the prices of these items go down; infant mortality saw a dramatic drop in the 1970s, kept decreasing throughout the "lost decade" of the 1980s, and continues to decline today (see figure 2).

Figure 2. Brazil's Infant Mortality, 1950–1997.



These examples are not given to suggest that Brazilian social problems are not serious or that they can take care of them selves. Brazil is going through a profound social transition that is changing the shape of the country and raising a new set of social and economic issues that were not on the agenda just a few years ago. The new agenda is a reflection not only of existing problems but also of the perspectives, values, and interests of different social groups. The question of who sets the agenda has important consequences for the issues tackled, their priority, and the likelihood of their failure or success.

The social transition

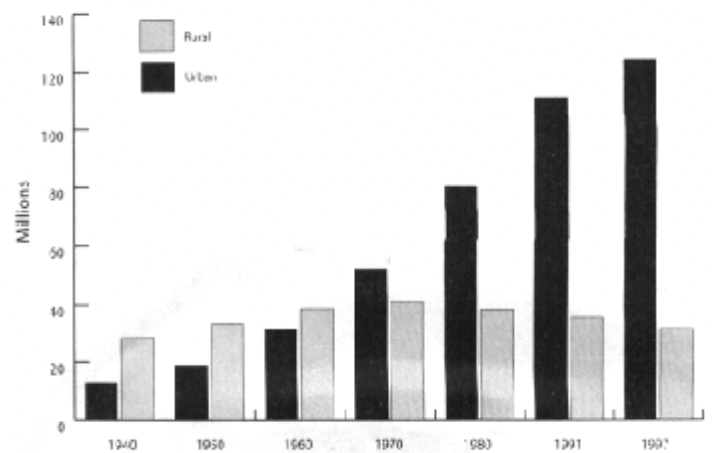
The most evident feature of the social transition is that Brazil is now a predominantly urban, not rural, society. Cities like Salvador, Recife, Rio de Janeiro, and São Paulo have always been important as seats of the colonial and later national and regional administrations and poles of attraction for immigrants, but most of Brazil's population lived outside the cities until recently. In 1940, 70 percent of the population still lived in rural areas; in 1997, only 20 percent did (see figure 3).

Rural jobs are fast disappearing. Five hundred thousand rural posts were eliminated between

1992 and 1995, while 4.7 million new jobs were created in urban areas. Between 1995 and 1997, 1.8 million jobs disappeared in the countryside, and a similar number was created in the towns.² The main reason for this shift is the gradual disappearance of small, traditional rural properties and their replacement by agribusiness and a new, prosperous but small rural middle class in the Southern region. The allure of city life and access to jobs and education for the young, as well as the availability of small pensions for the elderly, also explain the movement away from the hardship and uncertainties of rural poverty.

The other important transition is the dramatic drop in population growth. Between 1991 and 1996, the yearly growth rate was 1.38 percent, down from about 2.99 in the 1950-1960

Figure 3. The Growth of Urban and Rural Populations in Brazil.



Source: IBGE, *Anuário Estatístico*, 1997.

period. The rates are close to 1 percent both in developed regions, such as Rio Grande do Sul and Rio de Janeiro, and in poor areas, such as Bahia and Pernambuco. This growth rate corresponds to a fecundity rate of about 2.1, below which the population starts to shrink. The Brazilian population is still young and is expected to keep growing for a few decades more, but will stabilize and start to shrink before the middle of the century. This demographic change is not a consequence of an intentional policy of population control, but an outcome of rural migration, the entrance of women into the labor market, and the spread of health information and services. This population trend is already having some positive effects, such as the reduction of migration flows from country to town and decreased demand for schools. Smaller families can therefore invest more in the education of their children. These facts help to explain how Brazil was able, in a few years, to achieve almost 100 percent of school enrollment for its children. In a few decades, however, as the population gets older, a new set of problems will arise, related to health, pension costs, and the social placement of the elderly.

Because of these transitions, the number of people able to change their social status in Brazil is one of the highest in the world.³ In 1996, 60 percent of the children of rural workers and

²Unless otherwise indicated, all figures are from the yearly National Household Survey (PNAD), carried out by the Brazilian Institute for Geography and Statistics (IBGE).

³José Pastore and Nelson do Valle Silva, *Mobilidade Social no Brasil* (São Paulo: Makron Books, 2000), 47-59.

two thirds of the children of urban, non-qualified workers were in a better social position than their parents. It is in light of these changes that the social problems in Brazil, and the agendas for their solutions, should be seen.

The poverty agenda

Poverty eradication is now a top priority in the agendas of international institutions such as the World Bank, the Inter American Development Bank, the United Nations, and the Catholic Church, and it has great visibility in the mass media. In Brazil, the issue has been driven by social movements such as the Citizenship Movement against Hunger (headed by the late Herbert José de Souza, or Betinho, as he was commonly known), the Movement of the Landless (Movimento dos Sem Terra), many smaller movements and nongovernmental organizations, and the federal government itself, through the Program of Communal Solidarity (Programa da Comunidade Solidária). Together, they shattered the centuries-old tradition of accepting poverty as natural and unavoidable and placed the goal of poverty eradication at the forefront of Brazil's political and social agenda.

The poverty agenda is very different from the traditional stand of the old Left, which fought for the improvement of the living conditions of workers through better deals in their relations with the capitalists and the establishment of compensatory social policies. In the past, industrialization, the development of science and technology, and the spread of education led to the belief that the problems of poverty, ignorance, and deprivation were about to disappear, through the expansion of private entrepreneurship, through the purposeful and rational action of governments and international organizations, or through some combination of both. Malthus's pessimism was eclipsed by the image of "unbound Prometheus," an endless expansion of wealth and well-being driven by man's rationality and innovativeness. This image was prevalent in both capitalist and socialist countries and adopted by developing countries in the Southern Hemisphere in their drive for political independence and socioeconomic development.

The assumption that economic development alone would give everybody an adequate job, however, is now being questioned in industrialized countries and never really existed in developing and underdeveloped societies, where most of the population still remains without access to essential goods and services. The new poverty agenda is marked by the strong moral tone of its proponents and the belief in the redeeming power of political will and community mobilization. In the countryside, most of the poverty agenda is carried out by the Catholic Church and the Movement of the Landless, which denounces the immorality of land concentration and raises the flag of family agriculture.⁴ In the cities, campaigns are promoted to mobilize the middle classes and to bring food and clothing to the poor. "Market capitalism" is criticized for its lack of concern for human predicaments, and government is criticized whenever social expenditures are reduced.

Indeed, Brazilians could do much more charitable work. A permanent stress on social equity and well-being is important for focusing public-policy priorities, and the growing concern of international agencies and nongovernmental organizations with issues of social deprivation is a welcome change. The poverty agenda, even when it does not lead to specific proposals and solutions, is a powerful and welcome instrument for change. It is fair to say, however, that these efforts to mobilize society to help the poor have been less effective than expected.

The problems of poverty and social deprivation in Brazil have two very distinct faces, requiring different policies and approaches: the population of the modern, urban periphery of the

⁴Bernardo Sorj, "A Reforma Agrária em Tempos de Democracia e Globalização," *Novos Estudos CEBRAP* 50 (March 1998): 23-40.

large metropolitan areas and mid-size towns; and the poor population in the gradually shrinking rural areas, mostly in the Northeast region. Intense poverty in Brazil has always been associated with rural populations, deprived of education or social services, working the land with very little productivity, no protection from the vagaries of rain and drought, and very high fecundity rates.⁵ Brazilian rural dwellers are not descendants of old, pre-Colombian civilizations, as in Mexico and some Andean countries, nor of traditional peasant societies, as in Europe. They are, mostly, descendants of Portuguese and African or Brazilian indigenous slaves, leftovers from plantation economies and cattle-raising farms ruined by lost markets and impoverished soil, lacking the technical traditions and culture that could help them to extract more benefits from their surroundings.⁶

The combination of intense poverty, decadent local oligarchies, and depleted soil makes rural poverty very difficult to change. Since the nineteenth century, cyclical droughts have raised the specter of famine in the Brazilian Northeast, leading the federal government to pour money into the construction of water reservoirs. Most of the money, however, remains in the hands of local bosses, who do little to improve the lot of the poor. Modern agriculture grew mostly in regions populated by European immigrants in the South and in large plantations in the frontier states of the West, and it is now expanding at a very fast pace in the frontier regions of the central highlands. When it comes to the Northeast (as, for instance, with new irrigation projects and the cultivation of high-quality table fruits), it is brought mostly by immigrants from the traditional small-farms economy of the South.

"Agrarian reform," the division of large rural properties into family plots is high on the agenda of antipoverty movements in the rural areas and is dramatized by periodic episodes of forceful occupation of large farms by landless families. The government has been responding by taking hold of little-used or contested rural properties and transferring them to the peasants; by raising taxes on unproductive land; and by devising credit instruments for rural dwellers. These policies can improve conditions for several segments of the population, but are unlikely to have a larger impact on the poverty issue. Brazil does not have a culture and tradition of small, family-based agriculture except in the Southern areas of Japanese and European immigration. Today, family-based agriculture is shrinking everywhere, or coming together in large cooperative or business networks for the production of milk, poultry, fruit, and other products for the urban markets and for export. As productivity rises, the prospects of creating more rural jobs, even in areas of modern and efficient agriculture, are not bright.

If rural poverty is not improving, it is at least getting smaller. As people move to towns, they also improve their lot, even when they remain poor and have difficulty finding jobs. According to Sonia Rocha's calculations, the proportion of those living in poverty in Brazil went down from 68 to 35 percent of the population between 1970 and 1990. Part of this change was due to economic growth, but most of it was a consequence of urban migration. In towns, people can find a cheap place to live in a shanty town or in the outskirts of the big cities, can have

⁵ According to Sônia Rocha, an expert on poverty issues, "poverty in the rural Northeast is still typical of traditional societies. The percentage of female household heads is low. Most people work in agriculture, thus unemployment is irrelevant. Most . . . household heads are illiterate or have less than four years of schooling. The majority of the poor are self-employed and some-even among the household heads-work for more than fifteen hours a week without pay, which is associated [with] labor in small holdings yielding just enough for family subsistence. Access to basic public services-education, electricity, sanitation is largely inadequate, which means that the State is absent as [a] provider." Sônia Rocha, "Sustainable Development and the Poverty Reduction Goal," paper prepared for the Brazilian Academy of Sciences Conference on Sustainable Development, unpublished, 1999.

⁶ Celso Furtado was probably the first to describe this process of reversion from a modern, export-oriented plantation economy into self-contained, isolated, and inefficient rural units. Celso Furtado, "Economic Contraction and Territorial Expansion," in Celso Furtado, *The Economic Growth of Brazil* (Berkeley; University of California Press, 1963; first Brazilian ed., 1959), 71-77.

access to electricity and treated water, can go to a medical post to get some kind of medical care, can send their children to school, and can have a greater chance of finding a job or earnings of some kind.⁷

The social democracy or welfare agenda

This agenda can be described as the quest for public benefits and social protection for the population, in a context of economic growth and industrialization. It is very European in inspiration and is associated with issues like job stability, the reduction of working hours, medical care, retirement, and housing. It includes also the organization of workers in unions, the development and strengthening of professional associations, and the growth of the public sector as an efficient and fully professionalized administrative core.

This agenda appeared in Brazil in the 1920s and 1930s and gained importance after World War II. A complex and generous set of social benefits was created, limiting the number of hours worked and mandating yearly vacations, minimum wage, an additional salary at Christmas, maternity leave, job security, retirement benefits, pensions, health insurance, and health care.⁸

This generous social legislation, however, was limited to persons with regular jobs in urban centers. Even among them, benefits were not evenly distributed. Until the 1960s, different professional segments had separate medical and pension funds, and there was no system of social security for rural dwellers. Today, retirement benefits for civil servants and the military are still much better, and public resources for medical care go mostly to persons living in the richer urban areas. People do not complain much about these inequities, perhaps because of the expectation that the benefits granted initially to some would be later extended to others. So industrial unions do not protest against the privileges of civil servants; students in private institutions do not complain about the free education for those in public universities; and diploma holders in new, less prestigious professional areas do not question the market privileges held by traditional professions such as law, medicine, and engineering. This assumption of increasing benefits from the social democratic agenda has enjoyed widespread support, and grew in ambition in periods of increased political participation and democracy: after 1945, and again with the Constitution of 1988, at the end of the military regime.⁹

⁷ According to Sônia Rocha's description, among the poor in the large cities "families are smaller and the number of children lower than in the Northeast. Looser family ties mean [a] higher percentage of female household heads, which is one of the main features of urban poverty in modern societies. The illiteracy rate is high, even among household heads, but much lower than in the rural Northeast. Most poor work in trade and services, that is, in the low productivity/low earnings activities in these sectors. [The] unemployment rate is high, which is typical of urban modernized areas, where formal aspects of the labor market are enhanced. Most household heads work as employees. Access to public services is relatively good: most children attend school and there is almost universal access to water and electricity." Rocha, "Sustainable Development and the Poverty Reduction Goal."

⁸ On the beginnings of Brazil's welfare state, see Angela Maria de Castro Gomes, *Burguesia e trabalho. Política e legislação social no Brasil, 1917-1937* (Rio de Janeiro: Editora Campus, 1979). For the reaction of Brazilian industrialists to welfare protection to workers, see Warren Dean, *The Industrialization of São Paulo, 1880-1945* (Austin, Tex.: The University of Texas Press, 1969). For the social-security system, see Amelia Cohn, *Previdência Social e Processo Político no Brasil* (São Paulo: Editora Moderna, 1980); for a broad overview, see Phillippe C. Schmitter, *Interest Conflict and Political Change in Brazil* (Stanford: Stanford University Press, 1971).

⁹ Authoritarian governments, however, were important in the creation and expansion of the Brazilian social democracy agenda. Thus, the Getúlio Vargas regime in the 1930s is accredited with the first legislation establishing the contours of the Brazilian welfare state, taken from Fascist Italy's *carta del lavoro*. In the 1960s and 1970s, the military government unified the social-security systems in the private sector and introduced retirement benefits to

These benefits were financed, at first, by taxes on export activities; later, in the 1960s and 1970s, by an increase in the government's ability to collect taxes; and since then by inflation. The crisis of the Brazilian welfare state is similar to the one affecting Western Europe and the United States. As benefits increased, the cost of health and education grew; as the population got older, the welfare bill skyrocketed and was not followed by equivalent increases in economic growth and productivity. Brazil spent, in 1994, about 14 percent of its gross national product (GNP) in social benefits (approximately 51.5 billion reais, or dollars), 65 percent of which went to social security (two-thirds for the general population, one-third to military and civil-service retirees), 18.4 percent to education, 16.5 percent to health, 9.3 percent to education and culture, and 7.1 percent to housing.¹⁰ Only a small part of these resources reached the bottom of society.¹¹

The crisis of the social democratic agenda in Brazil is that it reached its peak when most of the population was still far from benefitting from it and when productivity was still much lower than that of the countries that were its model. The expectation that the benefits acquired by some will eventually be extended to all is becoming very difficult to sustain.

The economic agendas: national development and international competitiveness

Until the 1950s, Brazilians still debated whether the country should remain mostly an agricultural economy or move forcefully toward industrialization. This discussion was settled, in practice, by the "targets program" (Programa de Metas) of President Juscelino Kubitschek in the late 1950s, which started the Brazilian car industry, linked the country with paved roads, and started ambitious programs of energy production and industrial development. The key components of the early agenda of economic development were the role of national government as the main promoter of economic growth and the protection of local industry against foreign competition through high tariffs and regulations. This was not, in essence, a nationalistic agenda; the car industry, for instance, was owned by large multinational manufacturers, Volkswagen, Ford, General Motors, and later Fiat, which kept the Brazilian market for themselves, and foreign investors were well received throughout. Nevertheless, Brazilian-owned industrial and financial groups and interest also flourished and received the benefits of large public contracts and partnerships with foreign groups. This "import substitution model" reached its climax in the 1970s, with the ambitious projects of forced industrialization led by the Ernesto Geisel government (1976-1980).¹² In the previous years, a large influx of foreign capital led to unprecedented levels of economic growth - the so-called Brazilian Miracle of the 1970s. During these years, it was possible to argue that no specific social agenda for poverty reduction or increased social benefits was needed, since the benefits of economic growth would eventually

the rural population as well as the first Brazilian legislation aimed to reduce the concentration of land properties, the Estatuto da Terra

¹⁰IPEA, *Dimensionamento e Acompanhamento do Gasto Social Federal- Exercício de 1994*, versão preliminar (Rio de Janeiro: IPEA, Diretoria de Política Social, December 1995).

¹¹Estimations by the World Bank found that 21 percent of Brazil's public expenditures on health, education, and housing went to sectors in the upper quintile of income distribution, with only 15.5 percent going to the lower strata (the corresponding figures for Chile were 4 percent and 36.3 percent).

¹²Antônio Barros de Castro and Francisco Eduardo Pires de Souza, *A Economia Brasileira em Ritmo de Marcha Forçada* (Rio de Janeiro: Paz e Terra, 1985).

spread out to the population as a whole.¹³ In fact, economic growth led to improvements in income for all social sectors, but income inequality also increased, lending credence to the mistaken notion that economic development is based on increased exploitation of the working class.

In the 1980s, a combination of high public spending and unexpected increases in international interest rates led to mounting inflation and economic stagnation. The military started their ordered withdrawal from public life, and the civilian government that took over in 1985 did not have the nerve or the conditions to bring the country's economy under control. The economic agenda of the 1990s is based on the quest for economic stability and international competitiveness, characterized by less reliance on the importance and relevance of a Brazilian-owned industrial sector, a reduced role of the state as entrepreneur, and a renewed appreciation of agriculture as a source of economic growth. International competitiveness requires either cheap prices or better products, or both. It also requires a sound economy, able to inspire confidence in foreign investors and predictability in economic transactions. This agenda has been tried by the Cardoso government in a very difficult situation, given the need to stop and control inflation, balance the budgets of the federal government and the states, reach an equilibrium in the balance of payments, and open the economy to the international market, all simultaneously.

At first, economic stabilization, achieved with the introduction of the *real* in 1995, was more effective in spreading social benefits and improving the living conditions of the poor than any other conceivable social policy. Inflation control is estimated to have increased the true income for those at the lower strata by about 30 percent, raising the consumption of staple products and household durable goods. Inflation remained at the level of about 1 percent a month since the introduction of the real, and the traditional mechanisms of salary indexing were abolished. Most price increases occurred in the services sector and were particularly damaging to middle sectors. Most of these effects occurred immediately after stabilization in early 1995. By 1998-1999, with the economy growing slowly and unemployment on the rise, and especially after the currency devaluation of early 1999, there were signs of a worsening situation, reflected in a drop of real mean income for all social groups. Brazil entered the year 2000 with a stable and growing economy, but it is a slow growth with no direct impact on unemployment, the quality of the job market, or income inequality.

The social effects of international competition are less clear. This process did not start with the Cardoso administration, but was kept as an important part of its agenda. As the economy reorganizes and gears up for international competition, formal employment and job stability shrink while opportunities for self-employment and work in an expanding services sector increase in a new environment where educational and professional skills make all the difference in terms of opportunities and expected income. Data on unemployment, collected by the Brazilian Institute for Geography and Statistics (IBGE), showed a consistent pattern of about 5 percent of the active population in a condition of open unemployment (without work and actively looking for it), compared with figures close to 20 percent in Argentina.¹⁴ With economic recession in 1998-1999, it rose another two or three percentage points. A closer look at the employment data shows an increasing number of self-employed and people in the so-called informal economy and a decreasing number of industrial workers. Many layoffs can be explained

¹³This was known in Brazil as the "cake theory," according to which the cake has to rise before there is enough to be shared by the party's guests. For a criticism, see Ricardo Paes de Barros and Rosane Mendonça, "O impacto do crescimento econômico e de reduções no grau de desigualdade sobre a pobreza," *Novos Estudos CEBRAP* 51 (July 1998): 107-122.

¹⁴Unemployment figures published by the statistical office of the state of São Paulo (the SEADE Foundation) are usually three times higher than those of IBGE, the federal statistical institute, due to conceptual and methodological differences. However, the trends for both indexes are very similar.

by the increased efficiency of firms, some by downsizing and outsourcing, and some by the relocation of industrial firms from the periphery of São Paulo, Porto Alegre, and Recife to other towns and regions (especially to the São Paulo hinterland) that are not covered by the employment statistics. So, an important part of what seems like a historical decrease in working opportunities reflects in fact an important process of economic re structuring and geographical displacement. Nevertheless, the number of people unable to find jobs or earn a living is on the rise, particularly in large metropolitan areas, among the less educated young, and for those displaced by industrial modernization.

From the perspective of this agenda, the complex system of social protection built in Brazil in the 1930s appears insufficient, economically unbearable, and perverse. It is insufficient because most services remain limited to those who live near the places where they are provided, usually in the more developed states and regions. It is economically unbearable because the population is getting old, requiring more health care and extended retirement payments, and needs better education. It is perverse because there is a clear, positive correlation between income and benefits received - if you are middle class or higher, your chances of having free higher education, good free medical care, and early retirement with generous benefits are much better than if you are poor and live in a backward region.

This combination of moral and practical evils should be enough to convince anyone that the system of social welfare in Brazil is in need of deep reform. This is difficult to explain, however, to those who are losing benefits or imagine that they are close to getting them. At heart, the social agenda of international competitiveness is a negative one. The assumption is that the economy should be allowed to grow unhindered, and, with increased productivity and higher income, people would be able to take care of their own needs of health, education, and retirement, with as little help from governments as possible. This assumption, however, is doubtful: it is possible to conceive of a scenario in which the Brazilian state becomes very efficient and the economy very competitive, while maintaining, simultaneously, high levels of income inequality and large pockets of poverty. The poverty agenda has to be faced at once, without waiting for the benefits of international competitiveness.¹⁵

The emerging agendas

Beyond these broad agendas, there are others related to specific issues or groups, which remain, at least for the moment, in a secondary position. An incomplete list would include the themes of race, gender, and environment, which I shall address below, as well as education and urban violence.

The *ethnic or racial agenda* has not been very salient, al though about half of the Brazilian population is either black or of mixed blood, with large groups of descendants of Italians, Japanese, Germans, and other European immigrants. Most of the non-Portuguese European and Japanese immigrants came to Brazil at the turn of the century, and today the second and third generations speak Portuguese as their mothers' language and retain little of their original culture. We can still identify areas characterized by strong German, Italian, and Japanese groups, and the Japanese, particularly, have shown a strong tendency toward endogamy. But there are not conflicts and demands associated with linguistic and ethnic issues, and questions about the rights of or discrimination against foreigners are not part of the Brazilian social agenda.

¹⁵Ricardo Paes de Barros has shown that direct investment in basic education is much more effective for the reduction of social inequality and poverty than economic growth as such. Ricardo P. Bannos and Rosane Mendonça, *O impacto do crescimento econômico e de reduções no grau de desigualdade sobre a pobreza* (Rio de Janeiro: IPEA/Dipes, Texto para Discussão no.528, November 1997).

The situation regarding the African slaves and their descendants is much more complex. The Brazilian statistical office, IBGE, asks systematically about the "color" of Brazilians in their censuses and national surveys. They find that about 10 percent of the population define themselves as "black" (preto), 40 percent as "brown" or "gray" (the word used in Portuguese is "pardo"), and about 50 percent as white, with a small percent age being classified either as "oriental" (mostly of Japanese origin) or indigenous. To be preto or pardo is associated, statistically, with being poorer, less educated, and less likely to hold a prestigious occupation, and the correlation between "color" and income persists even for those with similar education. This association between "color" and income suggests the existence of barriers against the social mobility of the nonwhite population, or the existence of specific cultural and value pat terns associated with education and social mobility in specific groups.¹⁶ However, the demarcation lines between different ethnic or racial groups are blurred, and it is relatively easy to "pass" from one category to another. Most of the population refuses the color classification used by the census office, particularly the terms preto and pardo, preferring to call themselves "moreno" or to use a myriad of alternative terms.¹⁷ This means that, although the race boundaries are indistinct, there is strong awareness of racial differences.

Brazil never had apartheid institutions like South Africa or the United States and has strong legislation forbidding any kind of racial discrimination. Racial prejudice, however, seems wide spread, and to have dark skin can affect the self-perception and life opportunities of millions. The answer of several black organizations and intellectuals to this situation has been to embrace their racial identity and to press for an agenda of affirmative action in social policies. The main difference from the United States, however, is the lack of clear boundaries between racial groups and the refusal of most of the population to accept racial labels.¹⁸

The situation of the Brazilian native populations, known as "Indians" since the times of the early European exploration of the Americas, is different.¹⁹ The estimate is that the Indian population, when the Portuguese arrived in Brazil in 1500, was about five million. The 1991 Brazilian census registered about 162 thousand persons who were still classified as Indians, while specialists estimate the actual number to be around 270 thousand. More have lost most or all of their Indian identity. Their physical traits, however, can be seen in the faces in the streets, mostly in the North and the Northeast, and native words designating places, plants, and animals are everywhere. They are not remnants of one native culture, but descendants of about two hundred very different societies, speaking 150 distinct languages and widely different in the way they related to each other and to their environment. A federal agency, FUNAI, is responsible for taking care of the Indian population, a feature of government that has seen no precedent for blacks or other underprivileged groups. This clear delimitation of some sections of the Indian population has allowed for affirmative action that has intensified recently, expressed mostly through the generous demarcation of their lands. There are several problems with this policy: it excludes assimilated Indians, it does not include effective means to protect the Indian territories

¹⁶Social mobility among Japanese descendants, for instance, is much higher than among other immigrant groups or Brazilians of any "color" on race.

¹⁷Simon Schwartzman, "Fora de foco: diversidade e identidades étnicas no Brasil," *Novos Estudos CEBRAP* 55 (November 1999): 83-96.

¹⁸See Peter Fry, "Politics, Nationality, and the Meanings of 'Race' in Brazil," in this issue of *Daedalus*, for an extended discussion. See also, for an overview, Thomas E. Skidmore, *Black into White: Race and Nationality in Brazilian Thought* (New York: Oxford University Press, 1974) and Carlos Hasenbalg, "Entre o mito e os fatos: racismo e relações raciais no Brasil," *Dados* 38, 2 (1995: 355-374).

¹⁹See Manuela Carneiro da Cunha and Mauro W. B. de Almeida, "Indigenous People, Traditional People, and Conservation in the Amazon," in this issue of *Daedalus* for an extended discussion.

from invaders and predators, it does not place limits on the predatory activities of the Indians themselves, and it often runs against the interests of the non-Indian local populations.

As with race, the *gender agenda* has not developed much, in spite of significant gender-related differences in income, occupation, and work opportunities.²⁰ In part, this agenda has not developed because Brazil does not have the most obvious manifestations of gender discrimination found in other societies. Nutrition and health conditions of boys and girls are similar, showing no gender-based preferential treatment by families, and there are more girls than boys in schools at all levels; women are entering the job market in large numbers. Families with both parents working are the rule today, rather than the exception. However, women tend to get less prestigious and profitable jobs, their income is lower than men's for the same occupation,²¹ and their work outside the home does not seem to have reduced their burden in the household, especially in the growing number of single-parent families. It has been difficult to translate these predicaments in a clearly defined social agenda, because they still reflect cultural traditions governing the relationships between men and women. There are a few issues of special interest for women, such as an increase in the number of kindergartens and day-care centers for children, and the right to abortion, which encounters strong resistance from the Catholic Church. The gender agenda remains, overall, limited to a few feminist movements and organizations, and it is far from entering the mainstream.

The *environment agenda* is still restricted to small groups of intellectuals and middle-class activists and to nongovernmental organizations concerned with issues such as the destruction of the Amazon forest, the extinction of animal species, and the loss of biodiversity. The problem with the environment agenda is that the collective benefits of environmental protection often conflict with the short-run interests of individuals and the budget limitations of governments and can be particularly threatening to low-income groups that deplete the resources of forests, rivers, and the soil, inhabit shanty towns near the sources of clean water in the cities, and ride in cheap, smoke-producing city buses.²² However, environmental problems such as air pollution in large cities, the deterioration of beaches and tourist resorts, the destruction of fertile soil, the contamination of food and water, and the disposal of garbage are starting to have direct and dire consequences for the population, requiring prompt action. Electricity comes mostly from dams and waterfalls, but these sources are nearing exhaustion, and the introduction of thermal plants will bring new threats of environmental impact. In spite of the recent creation of environmental protection agencies such as the Ministério do Meio Ambiente (Ministry of the Environment) and IBAMA (Instituto Brasileiro do Meio Ambiente), and the signature, by the Brazilian government, of Agenda 21, after hosting the world's main international conference on the environment in Rio de Janeiro, environmental issues have yet to become a priority in the country.

Social policies: the scope for action

²⁰Anette Goldberg Salinas, Joana Girard Ferreira Nunes, and Emmanuelle Nunes, "Feminismo contemporâneo no Brasil: estratégias das mulheres nos movimentos e interesse dos homens no poder," *Sociedade e Estado* 12 (2) July-December 1997: 357-380.

²¹Ricardo Paes Barros, Ana Flávia Machado, and Rosanne Silva Pinto Mendonça, *A Desigualdade da Pobreza: Estratégias Ocupacionais e Diferenciais por Gênero* (Rio de Janeiro: IPEA, Texto para Discussão no. 453, January 1997).

²²Charles C. Mueller, "Environmental Problems Inherent to a Development Style: Degradation and Poverty in Brazil," *Environment and Urbanization* 7 (2) (October 1995): 67-84.

The effect of these partially overlapping, partially conflicting agendas has been to put enormous pressure on public authorities to respond to rising and often contradictory demands, in a context of economic stringency. An incomplete list of social policy issues would include the maintenance and expansion of the existing systems of social protection and benefits in public health, retirement, education, and housing; the correction of existing distortions, delivering more benefits to the poor and removing privileges of specific groups; the improvement of the efficiency and efficacy of the civil service in the administration of its resources and in its dealings with the public; the reduction of income inequality; an increase in the number and quality of jobs and opportunities for self-employment; the provision of emergency relief to groups in extreme poverty; the development of programs to enable those in pockets of poverty in the countryside and in the urban peripheries to move away from their syndromes of poverty and social marginality; the addressing of acute problems of social conflict and unrest; and attention to the special needs and demands of minorities and less privileged groups, including the native population and blacks.

These formidable tasks are not the sole responsibility of the federal administration, but depend on the active involvement of state and local governments, nongovernmental organizations, and the private sector. Brazil is a federation of twenty-seven states and about five thousand municipalities, all supposed to respond to the demands and attend to the needs of their populations, particularly in education, health, urban administration, and basic services. There is a tendency, however, to look at the central government as bearing the main responsibility for the country's ills and their eventual cure. There are reasons for this, given the tradition of political centralization. However, the large differences that exist between Brazilian states and localities are due not to preferential treatment or neglect from the central government regarding specific regions, but mostly to the ability of local populations to take care of their own needs and interests, which is related, in turn, to the quality and effectiveness of local governments and leadership.

The federal government has to bring the budget under control and cannot increase public expenditures without jeopardizing the economy. Most of the resources administered by the government are already committed to the payment of salaries, constitutional transfers to states and local governments, legal benefits, and payments of interests on the internal debt. To carry its policies, the executive needs congressional approval, which, as in the United States, often requires heavy bargaining and horse-trading. The government is also under constant pressure to deal with issues of great visibility that capture the negative attention of public opinion, nongovernmental organizations, and the press and contribute to the country's bad reputation, but are not necessarily the most important or high est-priority items on the governmental agenda.

Brasilia, like Washington, is not the best place from which to run complex administrations supposed to reach poor communities thousands of miles away. The need for decentralization is clearly perceived, and it is taking place. Nevertheless, Brazilian regions and states differ widely in their ability to procure resources and use them to the benefit of the local population. The poorer the region, the more likely are its elites to live on handouts from the central government, keeping the poor in deprivation. Centralized policies are needed to compensate for regional inequity and to establish standards for services and care, but they can be used as an excuse to keep old bureaucracies in place.

Even in the best circumstances, with good government and economic growth, the daunting social problems facing Brazil in issues of health, poverty, education, employment, and living conditions will last for decades to come. Nevertheless, they can be faced, reduced, and better administered if proper policy decisions are taken and if the administrative and managerial competencies of public authorities improve. It is useful to look, however briefly, at what is being done in some of these problem areas.

Social Security

"Previdência Social," the national system of pensions and retirement benefits, is a problem for the population because of its meager benefits, and a major headache for the government since it consumes 65 percent of the expenditures of the federal government in the social area.²³ Two-thirds of this total is for former employees in the private sector and is financed by a fixed percentage of all salaries, paid jointly by employers and employees (about sixteen million beneficiaries); one-third comes from the ordinary budget and is used to pay retirements and pensions in the public sector (about half a million persons.)²⁴ In recent years, important advances were made in reducing corruption and increasing the speed and efficiency of processing papers and payments. New legislation was introduced to reduce the most obvious distortions and privileges, lowering the retirement benefits of civil servants and increasing their contributions.

The system remains unbalanced, however, and requires a much deeper reform. The current pay-as-you-go mechanism can only cover minimum benefits and should be replaced by a funded system based on a combination of mandatory and voluntary contributions. The transition between these systems, however, is very expensive, given the need to keep paying current benefits while saving for the future.

Health

The effort in the health sector has been to transfer the administration of health services to local communities (the so-called Sistema Unificado de Saúde, SUS) but the federal government is still responsible for two-thirds of all public health expenditures.²⁵ There are significant achievements in preventive medicine, through large inoculation campaigns and intensive work on grassroots programs based on community health agents and family doctors. There is no solution in sight, however, for the runaway costs of the medical and hospital bills paid by the federal government to private health providers, or the costs of the recovery and proper maintenance of public hospitals. In the recent past, the system of payments for health services was corrupted by a combination of inflationary costs, extremely low fees, and delayed reimbursements, inducing institutions to inflate or fake the number and complexity of services provided. Administrative mechanisms were put in place to curb these practices, and a new and

²³M. A. C. Fernandes et al., *Dimensionamento e Acompanhamento do Gasto Social Federal* (Brasília: IPEA, Texto para Discussão No. 547, February 1998).

²⁴Civil servants pay 12 percent of their salaries in social security costs, but, in contrast to the National Social Security Institute (INSS) system, these resources are not linked with the ongoing expenditures, which are much higher.

²⁵See, for an overview, Kurt Weyland, "Social Movements and the State: The Politics of Health Reform in Brazil," *World Development* 23 (10) (October 1995): 1699-1712. See also M. E. Lewis and A. C. Medici, *The Challenge of Health Care Reform in Brazil: Balance and Trends*, Technical Notes REI-97-004, ed. Inter-American Development Bank (May 1997); The World Bank, *Brazil-The Organization, Delivery and Financing of Health Care in Brazil: Agenda for the '90s* (Washington, D.C.: The World Bank, 30 June 1994); José Luis A. C. Araújo, Jr., "Attempts to Decentralize in Recent Brazilian Health Policy: Issues and Problems, 1988-1994," *International Journal of Health Services* 27(1) (1997): 109-124; Amelia Cohn, "Health Policy and Economic Change in Brazil," paper presented to the International Sociological Association (ISA), 1994; Nilson do Rosário Costa, "Inovação política, distributivismo e crise: a política, de saúde nos anos 80 e 90," *Dados* 39 (3) (1996): 479-511; and Vera Schattan Coelho, "Interesses e instituições na política de saúde," *Revista Brasileira de Ciências Sociais* 13 (37) (June 1998): 115-128.

highly controversial tax on financial transactions was approved by Congress as a temporary stop gap to cover the costs of the health system. The government has still to spell out a clear policy that could lead to a more equitable and viable system of public health care in the long run.

Education

Basic education is recognized as one of the most successful areas of social policy in recent years.²⁶ Access to basic education is almost universal, repetition and dropout rates are falling rapidly, and secondary education is expanding at very high rates. The quality of learning, however, is still low, and a complex system of student assessment at all levels was created to identify the main problems and establish priorities. Basic (fundamental and secondary education is the responsibility of local and state governments, but the federal government has an important instrument for action: the resources of the Fundo Nacional de Educação, a tax levied on firms for educational purposes. Two-thirds of these resources remain with the states, but the federal government has about seven hundred million dollars a year to spend. In the past, most of this money was channeled through local politicians, and its destination was uncertain at best. Now, the Ministry of Education has developed a system of transferring part of these resources directly to schools, boosting their autonomy and ability to act. Recent legislation was introduced to guarantee a minimum expenditure of U.S. \$300 per student per year, by states and municipalities, which leads to a common base salary for schoolteachers.²⁷ The success of these policies is partially explained by a growing consensus on the importance of basic education and on the main policy orientations for the sector, and by the existence of significant state- and municipal-level initiatives.

On the other hand, the Cardoso administration has been thus far unable to carry out a clear policy for higher education. Brazil has less than 10 percent of its younger population enrolled in higher education, about two million students, a figure that is expected to grow very rapidly in the forthcoming years.²⁸ The federal system of higher education, costing about 6.5 billion dollars a year and providing free education to less than four hundred thousand students, is clearly in need of reform. A project to grant administrative autonomy and require accountability from public universities is stalled by strong resistance from teachers' unions and student organizations. Meanwhile, the private sector is kept under bureaucratic controls and is expanding without clear directions. Several initiatives related to technical, secondary, and teacher education also exist, but none with the promise of significant impacts before long.

²⁶See Claudio de Moura Castro, "Education: Way Behind but Trying to Catch Up," in this issue of *Daedalus* for an extended discussion.

²⁷The estimation is that, between December of 1997 and August of 1998, the average salary of teachers in the state and municipal systems increased by 13 percent, due to transfers provided by this legislation. The largest increase occurred in the Northeast, where teachers' salaries increased by about 50 percent. Brazil Ministry of Education, *Education for All - Evaluation of the Year 2000* (Brasília.; Ministério da Educação, Instituto Nacional de Estudos Pedagógicos, 2000)

²⁸For an overview, see Simon Schwartzman, *O Ensino Superior no Brasil-1998* (Brasília.; Ministério da Educação, Instituto Nacional de Estudos e Pesquisas Educacionais- INEP, Textos para Discussão 6, 1999).

Unemployment

Open unemployment in Brazil's urban centers is low, but under employment is high.²⁹ The outlook for the next ten to twenty years is of an increasing number of youngsters entering the job market, combined with a drive in the productive sector to increase efficiency by incorporating new technologies and downsizing. This perspective is a cause of concern, and the government has been trying to respond with a series of actions. The most important, but without immediate effects, is to increase the quality of basic and secondary education. There are also proposals to reduce the cost of labor and deregulate the labor market. Today, a firm has to spend approximately the same amount it pays for salaries in social benefits and taxes. The project is to have a menu of choices for labor contracts, including indeterminate, fixed, and short-term contracts, as well as different packages of social benefits and severance compensation, to be negotiated between independent unions and the employees. In principle, such a system should allow for better job contracts in the richest sectors of the economy and more employment while giving fewer benefits to sectors that are not employing many individuals today or are hiring illegally without paying benefits or taxes. These proposals are resisted by the trade unions and Congress, who argue that they would just reduce the existing benefits and increase profits without generating more jobs.

Another approach is to try to increase employment through public works and through direct incentives and credit to the private sector. Although the government would not embark on a late-Keynesian policy of state-supported full employment, there are several mechanisms to stimulate job creation, through credit provided to small firms, investment in needed public work, and training programs targeted to specific sectors of the job market. In 1996, the National Development Bank (BNDES) was supposed to have invested about 11.3 billion dollars and to have combined its resources with those of the Fundo de Amparo ao Trabalhador (FAT) for job-creating investments in public transportation, environmental protection, tourism, and communications, which would not only generate new employment opportunities but increase the efficiency and employment capabilities of the productive system as a whole. The Ministry of Labor is also engaged in an ambitious program to provide credit for small firms in order to generate more employment and income. More than two billion dollars were invested in this program between 1995 and 1996. A similar system was devised for the rural sector.

Finally, the Cardoso administration is amplifying Brazil's system of unemployment insurance. Although still very limited in how much and for how long it pays the unemployed, it helped about 4.5 million people who lost their jobs in 1995, an estimated 60 percent of the total (the remaining 40 percent did not apply for the benefits, probably because they could find another job without much delay.)

Perspectives

The old days, when governments did not care about the money they spent and people assumed that poverty and misery were facts of life, will not return. The social agenda is growing while resources are scarce, and it will never rise to the levels required by so many constituencies.

Are the current social predicaments a consequence of the recent economic policies of international competitiveness and the reduced economic role of the public sector? A central contention of this essay is that they are not. The previous economic arrangements did not

²⁹The interpretation of these figures of 7 or 8 percent of unemployment, however, can be deceptive. "Open unemployment" refers to persons with no source of income who are actively looking for a job. In the absence of significant unemployment compensation, those who lose their jobs have to find some other way of earning something, moving from the "unemployed" to the "underemployment" ranks.

produce better social results and led to economic stagnation and financial disarray. Social conditions in Brazil have been improving in spite of slow economic growth and are better now than in the past. They are far from satisfactory, however: improvements have been too slow, and the problems of an aging population and urban decay bring new and very difficult challenges.

The new economy cannot be blamed for these social problems, but cannot be expected to solve them either. Economic development can always help, but the growing reliance on advanced technologies, the concentration of resources in large international corporations and in privileged geographical locations, the relentless pressure for lower costs in a context of intense international competition—all these elements conspire against the improvement of the income and life conditions of the poor and uneducated. Governments will remain important, making the best possible use of their tax money and regulatory powers to provide education, health, security, and environmental protection and to reduce the predatory effects of extreme market competition; society will have to learn to get organized to take care of its interests. From now on, regulatory functions are likely to prevail over the direct provision of services, and public administration will have to reinvent itself. Brazil has already had some experiences that point in the right direction. Over the course of a few years, the privatization of telecommunications gave access to telephones to millions, and new regulatory agencies have been established to oversee the work of private corporations in areas such as energy, telecommunications, and oil production and distribution. Concepts such as evaluation, assessment, certification, cost recovery, decentralization, partnership, citizens' participation, and empowerment, unknown just a few years ago, are entering the vocabulary of public administration and social movements at all levels and being gradually transformed into realities.

The introduction of new practices in the provision of public services and a larger participation of civil society in the management of its own affairs are already creating a new perception of the ways society can confront its problems, with very promising results. Old habits die-hard, however; the conflicting agendas will continue to exist, and the social problems faced by the Brazilian population will not go away in a few years, even in the best of circumstances. There is always hope, however, when things are moving in the right direction, and it is possible to argue that they are.